

**SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003  
MARCH 2004**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**EXECUTIVE SUMMARY**

The first four audit findings listed below were included in our report for the fiscal year ended June 30, 2000, issued June 25, 2002. Because our prior audit recommendations were not implemented, we have repeated them in the current year findings and recommendations section.

The Kent County Sheriff's Office does not have a policies and procedures manual for use by employees.

There is no formal general ledger accounting system in use for the service fee and witness fee funds. Consequently, accountability for transactions is performed primarily through the use of checking accounts while control over cash is focused upon the bank reconciliation process.

An accounts receivable control account is not used to monitor the accuracy of postings made to the accounts receivable subsidiary ledger. The absence of this vital control diminishes the effectiveness of the present system and impedes efforts to monitor the accuracy of subsidiary account postings.

The cash receipts records for writs and body attachments issued during the months of June and July 2001 were entered into an excel spreadsheet file. The file subsequently became corrupted rendering the data irretrievable, and a backup copy of the file was not maintained.

Cash in the Witness Fee account is to be used only for the purpose of disbursing fees to witnesses for daily attendance. All other charges that are incurred should be reimbursed by the general fund. In December 2000 this account incurred a \$110.20 check printing charge which to date has not been reimbursed.

SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

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March 16, 2004

Mrs. Ann Castelli  
High Sheriff of Kent County  
200 Quaker Lane  
West Warwick, RI 02893

Dear Sheriff Castelli:

We have completed an audit of the Sheriff of Kent County for the fiscal year ended June 30, 2003 in accordance with Sections 35-7-3 and 35-7-4 of the Rhode Island General Laws.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Beverly E. Najarian, Director, Department of Administration; to the Honorable Steven M. Constantino, Chairperson of the House Finance Committee; and to the Honorable Stephen D. Alves, Chairperson of the Senate Finance Committee.

Sincerely,

Frank J. Collaro, Jr., CFE, CGFM  
Acting Chief, Bureau of Audits

FJC:pp

SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**INTRODUCTION**

**Objectives, Scope, and Methodology**

The scope of our audit was to review and test the cash transactions and operating practices followed for the fiscal year ended June 30, 2003. Our objectives were to determine whether the Kent County Sheriff's Office is operating in compliance with applicable state laws and established rules and regulations; the accounting system used is adequate and the procedures followed are efficient and effective; all cash transactions are properly accounted for within the financial accounts and records maintained; controls are in place to sufficiently safeguard and protect assets; and the financial statements for the fiscal year ended June 30, 2003 are presented fairly.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

To achieve our objectives, we reviewed relevant policies and procedures, state laws and regulations; interviewed personnel; and performed audit tests and analytical procedures applied to data provided.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 (c) of the Rhode Island General Laws requires the auditee to respond within 60 days to all recommendations in this report. Since this official response is not currently available, it is not included herein. This response, when available, will be furnished upon request.

**Background**

As attaches of the courts, the Sheriffs or their deputies attend all sessions of the supreme, superior, family, and district courts and the workers' compensation court as requested by the chief judge. The sheriffs also attend the General Assembly when it is in session. Additionally, they execute all writs of process, both civil and criminal; summon witnesses to appear in court, transport prisoners and defendants to court and to state institutions, collect fees for services performed as officers of the court; and perform all other duties assigned to them by law.

The division of sheriffs is a program within the department of administration and is headed by an administrator and an executive high sheriff who are both appointed to ten-year terms by the director of the department of administration with the consent of the Governor. County sheriffs and their deputies are also appointed by the director of administration for a period of ten years and are subject to the supervision of the administrator.



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Mrs. Ann Castelli  
High Sheriff of Kent County  
State of Rhode Island

We have audited the accompanying financial statements of the Sheriff of Kent County as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Sheriff of Kent County. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the agency funds of the Sheriff of Kent County at June 30, 2003 and the cash receipts and disbursements for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information included in Schedules 1 and 2 of the report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frank J. Collaro, Jr., CFE, CGFM  
Acting Chief, Bureau of Audits  
July 25, 2001

FJC:pp

SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
BALANCE SHEET  
YEAR ENDED JUNE 30, 2003

<u>Assets</u>	<u>Service Fee Fund</u>	<u>Witness Fee Fund</u>	<u>Total</u>
Cash	\$ 4,204.40	4,167.90	8,372.30
Imprest Cash	100.00	-	100.00
Accounts Receivable	<u>3,150.00</u>	<u>110.20</u>	<u>3,260.20</u>
Total Assets	<u>\$ 7,454.40</u>	<u>4,278.10</u>	<u>11,732.50</u>
 <u>Liabilities</u>			
Advance from Superior Court	\$ 4,204.40	4,167.90	8,372.30
Advance from General Fund	100.00	-	100.00
Deferred Liabilities	<u>3,150.00</u>	<u>110.20</u>	<u>3,260.20</u>
Total Liabilities	<u>\$ 7,454.40</u>	<u>4,278.10</u>	<u>11,732.50</u>

See accompanying notes to financial statements.

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**SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Service Fee Fund</u>	<u>Witness Fee Fund</u>	<u>Total</u>
<u>Cash Receipts</u>			
Service Fees	\$ 45,332.50	-	45,332.50
Moving Fees	1,120.00	-	1,120.00
Refunds	2,985.00	-	2,985.00
Receipts From Superior Court	-	3,414.10	3,414.10
NSF Checks	75.00	-	75.00
Prior Year's Stale Dated Checks	398.50	302.00	700.50
	<u>49,911.00</u>	<u>3,716.10</u>	<u>53,627.10</u>
<u>Cash Disbursements</u>			
Due to General Fund	45,346.60	-	45,346.60
Moving Expenses	1,120.00	-	1,120.00
Refunds	3,155.00	-	3,155.00
Witness Fees	-	3,495.50	3,495.50
	<u>49,621.60</u>	<u>3,495.50</u>	<u>53,117.10</u>
Excess of Cash Receipts Over Cash Disbursements	289.40	220.60	510.00
Cash Balance July 1	<u>3,915.00</u>	<u>3,947.30</u>	<u>7,862.30</u>
Cash Balance June 30	<u>\$ 4,204.40</u>	<u>4,167.90</u>	<u>8,372.30</u>

See accompanying notes to financial statements.

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SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Significant Accounting Policies**

The accounts of the Kent County Sheriff's Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. Only the agency funds are presented in the accompanying financial statements. A description of these funds follows:

Agency Funds - are used to account for assets held by the sheriff as an agent for individuals, private organizations, the general fund, and/or other funds. The two types of agency funds maintained are:

Service Fee Fund - is used to account for monies received for the execution of writs, a service performed as an officer of the court, and other duties assigned by law.

Witness Fee Fund - is used to disburse fees to witnesses for daily attendance before the supreme court or the superior court, or before any other tribunal or magistrate, including attendance in giving depositions.

**Basis of Accounting**

The accompanying financial statements are presented on the modified accrual basis of accounting as prescribed by generally accepted accounting principles. Agency Funds are custodial in nature, accordingly; at any given point in time, total assets are equally offset by related liabilities including amounts due to the parties for whom the assets are being held.

**Note 2 - Accounts Receivable**

The accounts receivable balance is comprised of various fees that are due from attorneys and others. The present accounting system does not generate an accounts receivable control, which precludes allocating the changes in the account between balance sheet dates.

**Note 3 - Advance From General Fund**

This account represents a liability established to provide the necessary working capital to operate the Service Fees Fund.

**Note 4 – Advances From Superior Court**

This balance represents the unexpended balance of monies advanced from the Superior Court to pay witness fees.

**Note 5 – Deferred Liabilities**

For the purpose of financial statement presentation, this account represents a contra-account to accounts receivable.

**SHERIFF OF KENT COUNTY  
SERVICE FEES FUND  
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>	<u>Total Memorandum Only</u>
<u>Cash Receipts</u>			
Service Fees	\$ 43,263.05	35,657.50	78,920.55
Refunds	2,571.00	2,896.50	5,467.50
Moving Fees	1,500.00	1,000.00	2,500.00
Miscellaneous	34.00	529.31	563.31
Prior Year Checks Voided	-	511.00	511.00
	<u>47,368.05</u>	<u>40,594.31</u>	<u>87,962.36</u>
Total Cash Receipts	<u>47,368.05</u>	<u>40,594.31</u>	<u>87,962.36</u>
<u>Cash Disbursements</u>			
Due to General Fund	41,172.85	34,478.46	75,651.31
Refunds	3,152.00	3,400.25	6,552.25
Moving Expense	1,500.00	1,749.75	3,249.75
NSF Checks	118.70	186.50	305.20
Miscellaneous Expenses	34.00	418.31	452.31
	<u>45,977.55</u>	<u>40,233.27</u>	<u>86,210.82</u>
Total Cash Disbursements	<u>45,977.55</u>	<u>40,233.27</u>	<u>86,210.82</u>
Excess of Cash Receipts Over Cash Disbursements	1,390.50	361.04	1,751.54
Cash Balance July 1	<u>2,524.50</u>	<u>2,163.46</u>	<u>2,163.46</u>
Cash Balance June 30	\$ <u><u>3,915.00</u></u>	<u><u>2,524.50</u></u>	<u><u>3,915.00</u></u>

See accompanying notes to financial statements.

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**SHERIFF OF KENT COUNTY  
WITNESS FEE FUND  
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>	<u>Total Memorandum Only</u>
<u>Receipts</u>			
Witness Fees	\$ 3,608.20	4,411.07	8,019.27
Accounts Receivable	-	110.20	110.20
Current Year Stale Dated Checks	-	228.00	228.00
Prior Year Checks Voided	-	243.00	243.00
	<u>3,608.20</u>	<u>4,992.27</u>	<u>8,600.47</u>
Total Receipts	<u>3,608.20</u>	<u>4,992.27</u>	<u>8,600.47</u>
<u>Disbursements</u>			
Witness Fees	3,179.70	2,505.00	5,684.70
Check Order	-	110.20	110.20
Void Checks	-	22.50	22.50
Miscellaneous Expenses	-	0.20	0.20
	<u>3,179.70</u>	<u>2,637.90</u>	<u>5,817.60</u>
Total Disbursements	<u>3,179.70</u>	<u>2,637.90</u>	<u>5,817.60</u>
Excess of Cash Receipts Over Cash Disbursements	428.50	2,354.37	2,782.87
Cash Balance July 1	<u>3,518.80</u>	<u>1,164.43</u>	<u>1,164.43</u>
Cash Balance June 30	<u>\$ 3,947.30</u>	<u>3,518.80</u>	<u>3,947.30</u>

See accompanying notes to financial statements.

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SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**STATUS OF PRIOR AUDIT RECOMMENDATIONS**

The following audit recommendations were identified in the report prepared by the Bureau of Audits for the fiscal year ended June 30, 2000, issued June 2002.

1. Develop a policies and procedures manual and distribute it to employees.

Not implemented. (See current recommendation 1.)

2. Establish a formal accounting system that integrates a general ledger with the books of original entry (e.g., cash receipts and disbursements journal) to enhance accountability.

Not implemented. (See current recommendations 2.)

3. Establish an accounts receivable control account to facilitate both the present system and to the reconciliation of subsidiary account balances.

Not implemented. (See current recommendation 3.)

4. Perform monthly reconciliations between the subsidiary ledger accounts and the control account and resolve all differences that are discovered.

Not implemented. (See current recommendation 4.)

SHERIFF OF KENT COUNTY  
AGENCY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2003

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**Policies and Procedures Manual**

The Kent County Sheriff's Office does not have a policies and procedures manual as required by Section 42-8.1-17 of the Rhode Island General Laws. A policies and procedures manual would provide management and employees with a systematic approach to the implementation of policies, plans, and work routines. Further, a properly developed manual would convey management's philosophies, improve communications, improve productivity, reduce training time, and strengthen overall operations.

Before organizing and compiling information for the manual the following steps should be considered:

- Select the appropriate personnel who will have the authority and the responsibility for preparing specific sections of the manual and who will have ultimate authority over the entire manual.
- Determine the desired content of the manual.
- Outline the major sources of information for the manual.
- Determine a prescribed communication format to ensure clarity and understanding of the policy and procedure statements.
- Determine the final format and organization of the manual.

**Recommendation**

1. Develop a policies and procedures manual to comply with Section 42-8.1-17 of the Rhode Island General Laws.

## **Accounting System**

The Sheriff's Office does not maintain a formal accounting system for its service fee and witness fee funds. Accountability for transactions processed is performed primarily through the use of checking accounts while control over cash is focused upon the bank reconciliation process since a formal general ledger is not maintained. The establishment of a general ledger accounting system would enhance accounting and reporting requirements and permit management to make informed decisions concerning financial matters.

### **Recommendation**

2. Establish a formal accounting system that integrates a general ledger with books of original entry (e.g., cash receipts and disbursements journal) to improve accountability.

## **Accounts Receivable**

The Sheriff's Office maintains an accounts receivable ledger but does not maintain a control account. The absence of this basic control diminishes the effectiveness of the present system and impedes all efforts to monitor the accuracy of subsidiary account postings.

### **Recommendations**

3. Implement the use of an accounts receivable control account to improve and facilitate the reconciliation to subsidiary account balances.
4. Perform monthly reconciliations between the subsidiary ledger accounts and the control account.

## **Control Over Cash Collected**

A two-part prenumbered receipt form is used by the Sheriff's Office to record cash collected, but only for payers that specifically request a receipt to substantiate their payment. Although a copy of the receipt form is provided to the payer, the office copy of the form is discarded. Further, daily cash collections are not reconciled to source documents (e.g., prenumbered receipts or cash register tapes) and to deposit slips. The present system does not provide adequate safeguards to control and account for cash collections.

### **Recommendations**

5. Implement a cash system that will provide the necessary control and accountability for all cash that is collected (e.g., prenumbered receipts or cash register).

### **Recommendations** - (Cont'd)

6. If the use of a prenumbered receipts system is to continue, all cash should be receipted. The payer should be given the original receipt and the copy should remain in the receipt book.
7. In the event that a receipt needs to be voided, both parts of the receipt should remain in the receipt book and should be marked "VOID".
8. Reconcile daily cash collections to source documents and compare recorded totals to the cash deposited.

### **Records Not Backed-Up**

The cash receipts records for writs and body attachments issued during the months of June and July 2001 were entered into an excel spreadsheet file. The file subsequently became corrupted rendering this data irretrievable and a backup copy of the file was not maintained.

### **Recommendation**

9. Critical data files should be periodically backed-up to guard against data loss and to minimize its effect on operations.

### **Unreimbursed Bank Charge**

Cash in the Witness Fee account is to be used only for the purpose of disbursing fees to witnesses for daily attendance. All other charges incurred should be reimbursed by the general fund. In December 2000 this account incurred a \$110.20 check printing charge which to date has not been reimbursed.

### **Recommendation**

10. Seek reimbursement from the general fund.